

TO: All PM USA and NYO Employees**DATE:** May 30, 1995**FROM:** James J. Morgan**SUBJECT:** Product Recall

As you may have heard or read over the Memorial Day weekend, on Friday, May 26, Philip Morris U.S.A. voluntarily initiated a pre-emptive, precautionary recall of a number of our cigarette brand packings because a small percentage have defective filters that could cause temporary discomfort to smokers. A list of the brand packings that could have been affected has been attached to this memorandum.

There was no evidence that any of the affected product was being sold at retail outlets, and in fact it is possible that none reached retail outlets. But, immediately upon determining that we could not assure that 100% of the product in question was in our total control, we initiated a recall program for all of the brands that had the slightest chance of being affected.

None of the affected product has gone into the export or duty free channels, including airlines, and the problem does not affect any of Philip Morris' international brands.

The Source of the Defect. The defect is attributable to a plasticizer supplied by an outside vendor and used in the filter making process. The plasticizer was contaminated at the vendor's facility.

As the contaminated material was detected, it was purged from all of our manufacturing facilities and replacement plasticizer was obtained from a new supplier. All products being shipped from our PM USA plants meet all of our quality standards.

Cigarettes made with the defective filters may give off a noticeable odor or have a metallic or other off-taste. Continued use of the affected product could result in temporary discomfort including eye, nose and throat irritation, dizziness, coughing, and wheezing.

The Product Recall Process. As soon as we determined that all of the contaminated product might not be under our control, we initiated a recall of 36 of our 238 brand packings on Friday, May 26. We issued a public announcement which detailed our voluntary, precautionary recall of a number of our cigarette packings. A list of the packings in question was provided, along with a toll-free number (1-800-757-2555) which consumers could use to obtain further information 24 hours a day, seven days a week. In our public announcement, we urged consumers who had any of the listed brands to return them to a retailer who carried the product for a refund of the full purchase price.

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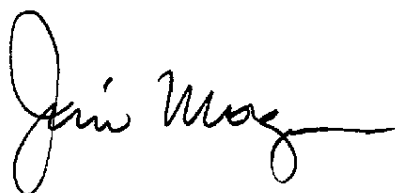
On Friday, we also initiated direct communications with hundreds of thousands of retailers through mailgrams, telephone calls and/or personal visits. Retailers were instructed to set aside the identified brand packings and hold them for a Philip Morris sales representative to pick up. Members of our PM USA sales force teamed up with the Kraft sales force, and began visiting all retail outlets, checking all PM USA inventory in the store, and removing the listed packings. As the product in question is removed, the sales representative posts a special blue "Quality Label" in the store, signifying that all Philip Morris U.S.A. products in the store meet the company's rigorous standards of quality.

At the same time, we sent all of our wholesale accounts a product recall telegram, instructing them to set aside the listed packings in their warehouse so that none would be shipped to retail outlets. Arrangements were made for PM USA representatives to remove the identified packings and compensate accounts for the removed product.

On Saturday, May 27, we began a consumer information advertising campaign. Full-page ads were run in major daily newspapers across the country. The ads listed the packings that were involved, and requested that consumers return any product on the list for a full refund.

As you can understand from the enormous scope of this product recall, and the range of activities associated with it, we have been very busy over the past several days. We have made excellent progress on the recall, and will continue with the program until we are assured that all of the packings in question have been replaced.

I am very proud of the way in which the entire PM USA team is responding to this challenge. Thousands of PM USA employees, supported by colleagues from Kraft and Corporate, spent the better part of their Memorial Day weekend working on various aspects of the recall. I thank each of you personally for your support of PM USA and for demonstrating so clearly that when it comes to quality, we allow no compromise.



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RECALL LIST

MARLBORO RED BOX
MARLBORO RED SOFT PACK
MARLBORO 100'S GOLD BOX
MARLBORO 100'S GOLD SOFT PACK
MARLBORO LIGHTS GOLD BOX
MARLBORO LIGHTS GOLD SOFT PACK
MARLBORO LIGHTS 100'S GOLD BOX
MARLBORO LIGHTS 100'S GOLD SOFT PACK
MARLBORO MENTHOL SOFT PACK
MARLBORO LIGHTS MENTHOL BOX
MARLBORO LIGHTS MENTHOL 100'S BOX
BENSON & HEDGES 100'S SOFT PACK
BENSON & HEDGES 100'S MENTHOL BOX
BENSON & HEDGES LIGHTS 100'S SOFT PACK
MERIT 100'S SOFT PACK
MERIT ULTRA LIGHTS KING SIZE SOFT PACK
VIRGINIA SLIMS 100'S
VIRGINIA SLIMS 100'S LIGHTS MENTHOL
VIRGINIA SLIMS LIGHTS 120'S
VIRGINIA SLIMS ULTRA LIGHTS 100'S
VIRGINIA SLIMS ULTRA LIGHTS MENTHOL 100'S
VIRGINIA SLIMS SUPER SLIMS
BASIC 100'S
BASIC 100'S MENTHOL
BASIC LIGHTS 100'S
BASIC LIGHTS KING SIZE
BASIC ULTRA LIGHTS KING SIZE
CAMBRIDGE LIGHTS 100'S
CAMBRIDGE ULTRA LIGHTS 100'S
ALPINE LIGHTS 100'S SOFT PACK
BRISTOL LIGHTS 100'S
PREMIUM BUY LIGHTS 100'S
PREMIUM BUY LIGHTS KING SIZE MENTHOL
BEST BUY KING SIZE FULL FLAVOR
SHIELD KING SIZE FULL FLAVOR
BRONSON KING SIZE FULL FLAVOR

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